

DAIKOU FINANCE PLC

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT AUDITORS**

FOR THE YEAR ENDED 31 DECEMBER 2021

DAIKOU FINANCE PLC

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE INFORMATION

Company	:	Daikou Finance Plc
Registration No.	:	00044553
Registered office	:	National road 02, Khlaing Sambath village Putsor commune, Bati district Takeo province
Shareholders	:	Chen Sopheap Lak Chinsavath Dy Sitha Thuch Panhchak Kampoul Prak Oudamsambath
Board of directors	:	Chen Sopheap Lak Chinsavath Dy Sitha Thuch Visakha Prak Oudamsambath
Principal bankers:		National Bank of Cambodia Acleda Bank Plc.
Auditors	:	Morisonkak MKA

DAIKOU FINANCE PLC
FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2021

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ដៃគូ ហ្វាយនែន ភីអិលស៊ី
DAIKOU FINANCE Plc.

National Road 2, Putsor Commune, Bati District, Takeo, Kingdom of Cambodia.
Tel: (+855) 66 999 558 / (+855) 66 999 550

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REPORT OF THE BOARD OF DIRECTORS

The Directors (the “Board of Directors”) are pleased to submit their report together with the audited financial statements of Daikou Finance Plc (the “Company”) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in all aspects of credit operator business and the provision of related financial services in Cambodia. There were no changes in the nature of these principal activities during the year.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2021 are set out in the statement of comprehensive income on page 9.

DIVIDENDS

During the financial year, the Board of Directors has decided to distribute dividend amounting to USD 51,050 on net profit of the year 2020 of USD 56,722 after setting aside 10% of this amount in Retained earnings.

SHARE CAPITAL

There were no changes in the issued and paid-up capital of the Company during the years.

RESERVES AND PROVISIONS

There were no material movements to or from provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans or making of provisions for doubtful loans and advances, and satisfied themselves that all known bad loans had been written off and that adequate provisions have been made.

At the date of this report and based on their best of knowledge, the Directors are not aware of any circumstances which would render the amount written off for bad loans or the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

ASSETS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ensure that any current assets, other than debts which were unlikely to be realized in the ordinary course of business at their values as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realize.

At the date of this report and based on their best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading in any material respect.

VALUATION METHODS

At the date of this report and based on their best of knowledge, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- a. Any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- b. Any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of credit operation business and as disclosed in the financial statements.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The financial performance of the Company for the financial year were not, in the opinion of the directors, materially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the financial performance of the Company for the current financial year in which this report is made.

THE BOARD OF DIRECTORS

The members of the Board of Directors during the year and as at the date of this report are:

Ms. Chen Sopheap	Chairperson
Mr. Lak Chinsavath	Member
Mr. Dy Sitha	Member and Chief Executive Director
Ms. Thuch Visakha	Member
Mr. Prak Oudamsambath	Member

DIRECTORS' INTERESTS

The directors who held office at the end of the financial year and their direct financial interests in the Company are disclosed in Note 12.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company with the directors or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than as disclosed in the financial statements.



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ក្រុមហ៊ុន ដៃគូហិរញ្ញវត្ថុ

ដៃគូ ហ្វាយណែន ភីអិលស៊ី
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RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible to ensure that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended. In preparing those financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements and the National Bank of Cambodia’s guidelines and Cambodian Accounting Standards or, if there have been any departures in the interests of true and fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company in all material decisions and actions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

STATEMENT BY DIRECTORS

We, the undersigned, being the directors of Daikou Finance Plc, do hereby state that in our opinion:

- i) the financial performance of the Company for the year ended 31 December 2021 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the year and the date of this report other than as disclosed in the financial statements, and
- ii) the accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021, and of financial performance and cash flows for the year ended on that date, in compliance with the National Bank of Cambodia’s guidelines and Cambodian Accounting Standards.

Signed on behalf of the Board of Directors:




Ms. Chen Sopheap
Chairperson
Date: 05 October 2022



Mr. Dy Sitha
Chief Executive Officer
Date: 05 October 2022

**REPORT OF INDEPENDENT AUDITORS
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF DAIKOU FINANCE PLC**

Qualified Opinion

We have audited the financial statements of Daikou Finance Plc (the “Company”), which comprise the statement of financial position as at 31 December 2021 and the related statement of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the National Bank of Cambodia’s guidelines.

Basis for Qualified Opinion

- (1) We were appointed as auditors until after 31 December 2021 and thus did not verify balances at the beginning of the reported year. In addition, the financial statements for the year ended 31 December 2020 were not audited by our firm or other auditors. As a consequence, we were unable to determine whether any adjustments would be required in respect of recorded or unrecorded balances, transactions and other related elements making up the statement of financial position and statement of comprehensive income, changes in equity and cash flows as at and for the year ended 31 December 2020 and their consequential effects on the opening balances as at 01 January 2021 and comparative figures by way of other audit procedures.
- (2) As disclosed in Note 2 to the financial statements which describes the basis of accounting, the financial statements are prepared in accordance with Cambodian Accounting Standards and the National Bank of Cambodia’s guidelines, which is a comprehensive basis of accounting other than the Cambodian International Financial Reporting Standards for Small and Medium-Sized entities (“CIFRS for SMEs”). The Company did not adopt the CIFRS for SMEs for its first financial statements for the year ended 31 December 2021 as per the requirements of the National Bank of Cambodia (“NBC”). The first time adoption of the CIFRS for SMEs will have significant impact on the financial statements. As a result, we were unable to determine whether any adjustments would be necessary in respect of recorded or unrecorded financial position items, and the elements making up the statements of comprehensive income, changes in equity and cash flows as at and for the year ended 31 December 2020 and their consequential effects on the opening balances as at 01 January 2021 by way of other audit procedures.

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

**REPORT OF INDEPENDENT AUDITORS
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF DAIKOU FINANCE PLC
(Continued)**

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of Directors as set out on pages 1 to 4, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and the National Bank of Cambodia's guidelines and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**REPORT OF INDEPENDENT AUDITORS
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF DAIKOU FINANCE PLC
(Continued)**

Auditors' Responsibilities for the Audit of Financial Statements (continued)

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Morisonkak MKA
Certified Public Accountants
Independent Auditors



Key KAK
Managing Partner

Date: 05 October 2022

DAIKOU FINANCE PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 Dec 2021		31 Dec 2020	
		USD	KHR'000	USD	KHR'000
ASSETS					
Cash in hand		11,174	45,523	20,368	82,389
Balances with other bank	4	9,164	37,334	69,129	279,627
Statutory deposits with Central Bank	5	20,677	84,238	20,826	84,241
Loans to customers- net	6	1,814,894	7,393,878	1,604,107	6,488,613
Intangible asset	7	1,772	7,219	2,481	10,036
Property and equipment	8	2,792	11,375	5,037	20,375
Deferred tax assets		3,324	13,542	3,324	13,446
Other assets	9	53,232	216,868	53,688	217,168
TOTAL ASSETS		1,917,029	7,809,977	1,778,960	7,195,895
LIABILITIES AND EQUITY					
LIABILITIES					
Borrowings	10	1,382,532	5,632,435	1,247,753	5,047,161
Other liabilities	11	22,566	91,932	24,049	97,278
Provision for income tax	18 (b)	15,542	63,320	20,687	83,680
TOTAL LIABILITIES		1,420,640	5,787,687	1,292,489	5,228,119
EQUITY					
Share capital	12	421,200	1,715,969	421,200	1,703,754
Retained earnings		75,189	306,372	65,271	266,026
Currency translation difference		-	(51)	-	(2,004)
TOTAL EQUITY		496,389	2,022,290	486,471	1,967,776
TOTAL LIABILITIES AND EQUITY		1,917,029	7,809,977	1,778,960	7,195,895

Signed and authorized for release on behalf of the Board



Ms. Chen Sopheap
Chairperson
Date: 05 October 2022

Mr. Dy Sitha
Chief of Executive Officer
Date: 05 October 2022

The accompanying notes from pages 11 to 26 form an integral part of these financial statements.

DAIKOU FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021		31 Dec 2020	
		USD	KHR'000	USD	KHR'000
Interest income	13	297,620	1,210,718	300,327	1,225,334
Interest expense	14	(154,922)	(630,223)	(148,977)	(607,826)
Net interest income		142,698	580,495	151,350	617,508
Other operating income	15	129,486	526,749	125,189	510,771
Personnel costs	16	(115,390)	(469,407)	(114,876)	(468,694)
Depreciation and amortization expenses		(3,722)	(15,141)	(4,520)	(18,442)
Other operating expenses	17	(78,376)	(318,834)	(80,149)	(327,008)
Operating profit		74,696	303,862	76,994	314,135
Allowances for doubtful loans	6	(3,150)	(12,814)	415	1,693
Profit before income tax		71,546	291,048	77,409	315,828
Income tax expense	18	(16,690)	(67,895)	(20,687)	(84,403)
Net profit for the year		54,856	223,153	56,722	231,425

Signed and authorized for release on behalf of the Board



Ms. Chen Sopheap
Chairperson
Date: 05 October 2022

Mr. Dy Sitha
Chief of Executive Officer
Date: 05 October 2022

The accompanying notes from pages 11 to 26 form an integral part of these financial statements.

DAIKOU FINANCE PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital		Retained earnings		Currency translation difference	Total	
	USD	KHR'000	USD	KHR'000	KHR'000	USD	KHR'000
Balance as at 01 January 2020	421,200	1,716,390	56,002	228,208	-	477,202	1,944,598
Dividend declared	-	-	(47,453)	(193,607)	-	(47,453)	(193,607)
Net profit for the year	-	-	56,722	231,425	-	56,722	231,425
Currency translation difference	-	(12,636)	-	-	(2,004)	-	(14,640)
Balance as at 31 Dec 2020 (Unaudited)	421,200	1,703,754	65,271	266,026	(2,004)	486,471	1,967,776
Balance as at 1 January 2021	421,200	1,703,754	65,271	266,026	(2,004)	486,471	1,967,776
Dividend declared	-	-	(51,050)	(207,671)	-	(51,050)	(207,671)
Net profit for the year	-	-	54,856	223,153	-	54,856	223,153
Prior year's adjustment	-	-	6,112	24,864	-	6,112	24,864
Currency translation difference	-	12,215	-	-	1,953	-	14,168
Balance as at 31 Dec 2021	421,200	1,715,969	75,189	306,372	(51)	496,389	2,022,290

The accompanying notes from pages 11 to 26 form an integral part of these financial statements

DAIKOU FINANCE PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	71,546	291,049	77,409	315,829
<i>Adjustments for:</i>				
Depreciation and amortization	3,722	15,141	4,520	18,442
Allowances for doubtful loans	3,150	12,814	(415)	(1,693)
Gain on disposal of fixed assets	(1,091)	(4,438)	-	-
Operating profit before working capital changes	77,327	314,566	81,514	332,578
<i>Changes in working capital:</i>				
Statutory deposits with NBC	149	606	(20,826)	(84,970)
Loans to customers	(213,937)	(870,296)	41,500	169,320
Other assets	456	1,855	(6,744)	(27,516)
Other liabilities	(1,483)	(6,033)	(3,226)	(13,162)
Cash generated / (used in) / from operations	(137,488)	(559,302)	92,218	376,250
Income tax paid (Note 18)	(15,760)	(64,111)	(15,052)	(61,413)
Net cash (used in) / from operating activities	(153,248)	(623,414)	77,166	314,837
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	(840)	(3,417)	(530)	(2,162)
Proceed from disposal of fixed asset	1,200	4,882	-	-
Net cash from / (used in) investing activities	360	1,465	(530)	(2,162)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings (Note 10)	585,000	2,379,780	839,553	3,425,376
Repayment on borrowings (Note 10)	(450,221)	(1,831,499)	(786,800)	(3,210,144)
Dividend declared	(51,050)	(207,671)	(47,453)	(193,607)
Net cash from financing activities	83,729	340,610	5,300	21,625
Net changes in cash and cash equivalents	(69,159)	(281,339)	81,936	334,300
Cash and cash equivalents at beginning of year	89,497	362,015	7,561	30,811
Currency translation difference	-	2,181	-	(3,095)
Cash and cash equivalents at end of year	20,338	82,857	89,497	362,016
<i>Represented by:</i>				
Cash in hand	11,174	45,523	20,368	82,389
Balances with other banks (Note 4)	9,164	37,334	69,129	279,627
	20,338	82,857	89,497	362,016

The accompanying notes from pages 11 to 26 form an integral part of these financial statements.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

DAIKOU was founded in early 2013 by a group of friends both skilled and experienced in financial services. They began their micro credit operations in Boeung Kchang commune, Kandal Stoeung district, Kandal province. On 05th June 2013, DAIKOU registered with the Ministry of Interior as a local NGO that worked to expand its credit activities to many villages, communes and districts within the Kandal province. A year later in June 2014, DAIKOU registered with the National Bank of Cambodia as a rural credit institution. In August 2015, DAIKOU obtained a full license as a credit operating company from Ministry of Commerce of Cambodia with the official name DAIKOU FINANCE PLC (DKF) to operate as a rural credit institution in Cambodia.

DKF provides specially designed range of lending services to Cambodian people who do not have access to the mainstream commercial banking services. DKF focuses on Cambodia rural families' life. We are committed to providing financial services access to the poor regardless of their religious beliefs, gender, or ethnic background.

Vision: To be a leading financial partner with community people toward sustainable rural economic development.

Mission: To partner closely with the public to promote social economy through providing effectively financial services and training on family financial management.

The registered office of the Company is located at National road 02, Khlaing Sambath village, Putsor commune, Bati district. Takeo province. As at 31 December 2021, the Company employed 24 employees (31 December 2020: 24 employees).

The financial statements were authorized for issue by the Board of Directors on 05 October 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the NBC and the Cambodian Accounting Standards ("CAS"). Those principles require that financial instruments be carried at cost less allowances for impairment. This practice differs from the Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities ("CIFRS for SMEs") which require that loans and receivables be carried at amortized cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or un-collectability.

The preparation of financial statements in conformity with CAS as modified by NBC guidelines requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates have been made based on existing available information and Management's best knowledge of current event and actions; therefore, the actual results ultimately may differ from those estimates.

The accounting principles and practices utilized by the Company may differ from those generally accepted accounting principles. The accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with generally accepted accounting principles and practice in other countries and jurisdictions other than Cambodia.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations

On 28 August 2009, the National Accounting Council (“NAC”), as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance, announced the adoption of the Cambodian International Financial Reporting Standards (“CIFRS”) which are based on full International Financial Reporting Standards. Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

However, the Accounting and Auditing Regulator (“ACAR”) (formerly “the National Accounting Council”) agreed to postpone the implementation of the CIFRS to fiscal year 2019 in its communiqué dated 25 February 2016.

With prior approval from NBC, rural credit operators can elect to adopt either the full CIFRS or the Cambodian International Financial Reporting Standard for Small and Medium-Sized entities (“CIFRS for SMEs”). NBC issued a letter dated 21 May 2020 requiring micro-finance institutions and rural credit operators to implement CIFRS for SMEs for the accounting period beginning on 1 January 2019.

On 05 June 2020, the Company submitted a response letter to the NBC requesting to delay the adoption of CIFRS for SMEs until the later date to disseminate the use of the standards amongst their personnel, citing difficulties and limited technical knowledge and competency to implement those standards. At the date of this report, the request has yet to be approved by the NBC.

The Current accounting standards used is different from the CIFRS for SMEs in many areas. Hence, the adoption of CIFRS for SMEs will have significant impact on the financial statements. The Company will assess the full impact of the first adoption of CIFRS for SMEs and the CIFRS for SMEs implementation will be updated should it becomes mandatory.

2.3 Foreign currencies translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts essentially in US Dollar (“USD”) and maintains its books of accounts primarily in USD, which is the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

(b) *Transactions and balances*

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the statement of financial position. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported in the statement of comprehensive income.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Translation of United States Dollars into Khmer Riel

In compliance with the Law on Accounting and Auditing, a translation of the financial statements from USD to Khmer Riel (KHR) is required. The statements of comprehensive income and cash flows are translated into KHR using the average rates for the years. Assets and liabilities for each statement of financial position presented are translated at the closing rates as of the reporting dates. Resulting exchange difference arising from the translation is recognised in the other comprehensive income.

The Company has used the following official rates of exchange published by the National Bank of Cambodia:

<i>Reporting date</i>	<i>Closing rate</i>	<i>Average rate</i>
31 December 2021	USD1 = KHR4,074	USD1 = KHR4,068
31 December 2020	USD1 = KHR4,045	USD1 = KHR4,080

2.5 Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturity of less than three months from the date of acquisition, including cash on hand, non-restricted balances with the Central Bank and balances with other banks.

2.6 Statutory deposits with central bank

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Company’s day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

2.7 Loans to customers

Loans originated by the Company by providing money directly to the borrowers at draw down are categorised as loans to customers and are carried at outstanding balances and interest, less allowances for loan loss and any amount written off. Interest in suspense represents interest accrued on loan receivables that are substandard, doubtful and loss.

Loans are written off when there is no realistic prospect of recovery. Recoveries on loans previously written off and reversals of previous provisions are disclosed separately together with the net movement in the provision for bad and doubtful loans and advances in the statement of income.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Allowances for loan losses

The Company follows the latest mandatory credit risk grading and impairment provisioning as required by the Central Bank's Prakas B7-017-344 dated 01 December 2017 on loan classification and provisioning. The Prakas requires microfinance institutions to classify facilities into five categories at a minimum unless other information is available to indicate worsening conditions.

NBC guidelines require the following loan classification and minimum level of allowances:

Classification	Number of days past due	Type of provision	Rate of allowances
Normal/ Standard	- Less than 15 days (original term of up to one year)	General provision	1%
	- Less than 30 days (original term of more than one year)		
Special mention	- 15 days and more (original term of up to one year)	Specific provision	3%
	- 30 days and more (original term of more than one year)		
Substandard	- 31 days and more (original term of up to one year)	Specific provision	20%
	- 90 days and more (original term of more than one year)		
Doubtful	- 61 days and more (original term of up to one year)	Specific provision	50%
	- 180 days and more (original term of more than one year)		
Loss	- 91 days and more (original term of up to one year)	Specific provision	100%
	- 360 days and more (original term of more than one year)		

In accordance with NBC guidelines, overdue loans are defined as the total outstanding principal where the principal or interest is past due.

2.9 Other assets

Other assets are carried at cost. An estimate is made for doubtful receivable based on a review of outstanding amounts at the reporting date.

2.10 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property and equipment (continued)

Depreciation of property and equipment is charged to the statement of comprehensive income over the estimated useful lives of the assets using the straight-line method as follows:

	Useful lives
Furniture and fixtures	3 - 5 years
Computer and IT equipment	3 - 5 years
Vehicles	5 years
Leasehold improvements	3 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognized in the statement of income.

2.11 Impairment of assets

a) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Notes 2.7 and 2.8.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

b) Non-financial assets

The carrying amount of the non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's carrying amount is written down immediately to its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets (the "cash-generating unit").

Impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Borrowings

Borrowings are stated at cost.

2.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic benefits will be required to settle the obligations; and a reliable estimate of the amount of the obligation can be made.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.14 Income recognition

Interest income on performing loans are recognized on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realized on a cash basis. Customer's loan accounts are classified as non-performing where repayments are in arrears for thirty days and more.

2.15 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted at the statement of financial position date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.16 Operating leases

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the period of the lease. Lease commitments are not recognized as liabilities until the obligation to pay becomes due.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Related parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities and include close family members of any individuals considered to be a related party.

Under the Law on Banking and Financial Institutions, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital of the Company or voting rights, and includes any individual who participates in the administration, direction, management or internal control of the Company.

2.18 Rounding off amounts

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR (KHR'000) for USD and KHR amounts, respectively.

3. USE OF ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations with regard to future events that are believed to be reasonable under the circumstances. These estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Impairment losses on loans to customers*

The Company follows the mandatory credit classification and provisioning as required by Prakas No. B7-02-186 dated 13 September 2002 on asset classification and provisioning in the banking and financial institutions issued by the NBC. The NBC requires rural credit institutions to classify their loans, advances and similar assets into three classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets lodged as collateral. For the purpose of loan classification, the Company takes into account all risks and relevant factors which may affect the counterparties' repayment abilities.

(ii) *Property and equipment*

Accounting for property and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of the useful lives of the assets is based on management's judgement.

4. BALANCES WITH OTHER BANK

This represents current accounts with Aceda Bank Plc.

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

5. STATUTORY DEPOSITS WITH CENTRAL BANK

Statutory deposit on capital represents a five percent interest-bearing statutory deposit on capital to comply with NBC's *Prakas* No. B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-06-209 dated 13 September 2006. The deposit is refundable when the Company voluntarily liquidates its activities and has no deposit liabilities.

This statutory deposit is interest bearing at ½ of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

6. LOANS TO CUSTOMERS – NET

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Individual loans	1,834,247	7,472,722	1,620,310	6,554,154
Provisions for loan losses:				
General (*)	(18,158)	(73,976)	(16,203)	(65,541)
Specific (**)	(1,195)	(4,868)	-	-
Total loans and advances - net	<u>1,814,894</u>	<u>7,393,878</u>	<u>1,604,107</u>	<u>6,488,613</u>

(*) Movements on allowances for impairment losses - General are as follows:

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Balance at 1 January	16,203	65,541	16,618	67,719
Addition/(recovery) during the year	1,955	7,965	(415)	(1,678)
Currency translation difference	-	470	-	(500)
At end of year	<u>18,158</u>	<u>73,976</u>	<u>16,203</u>	<u>65,541</u>

(**) Movements on allowances for impairment losses - Specific are as follows:

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Balance at 1 January	-	-	-	-
Addition/(recovery) during the year	1,195	4,868	-	-
Currency translation difference	-	-	-	-
At end of year	<u>1,195</u>	<u>4,868</u>	<u>-</u>	<u>-</u>

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

6. LOANS TO CUSTOMERS – NET (continued)

Further classification is as follows:

(a) By performance:	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Standard loans:				
Secured (*)	1,815,822	7,397,659	1,620,310	6,554,154
Unsecured	-	-		
Special mention loans:				
Secured (*)	14,647	59,673	-	-
Unsecured	-	-		
Substandard loans:				
Secured (*)	3,778	15,390	-	-
Unsecured	-	-		
Doubtful loans:				
Secured (*)	-	-	-	-
Unsecured	-	-	-	-
Loss loans:				
Secured (*)	-	-	-	-
Unsecured	-	-	-	-
	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>
(b) By maturity period:				
Later than one year	48,586	197,939	32,431	131,183
Over one year but within three years	<u>1,785,661</u>	<u>7,274,783</u>	<u>1,587,879</u>	<u>6,422,971</u>
	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>
(c) By security:				
Secured (*)	1,834,247	7,472,722	1,620,310	6,554,154
Unsecured	-	-	-	-
	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>

(*) Secured loans represent loans to customers that are collateralized by soft and hard title deeds. Soft title deed is a letter of land ownership transfer issued by the village Chiefs, rather than a proper land/hard title deed registered with the Cadastral Registry Unit under the Land Law. The validity of soft title deeds is contingent.

(d) By currency denomination:

US Dollars	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>
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DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

6. LOANS TO CUSTOMERS - NET (continued)

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
	<i>(Unaudited)</i>			
(e) By status of residence:				
Residents	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>
(f) By economic sectors:				
Agriculture	12,568	51,203	9,626	38,936
Commercial	1,544,668	6,292,979	1,326,947	5,367,500
Service	18,782	76,520	12,784	51,709
Others	258,228	1,052,020	270,954	1,096,009
	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>
(g) By relationship:				
Non related parties	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>
(h) By location:				
Head Office – Takeo	<u>1,834,247</u>	<u>7,472,722</u>	<u>1,620,310</u>	<u>6,554,154</u>
(i) By interest rates (per annum):			<u>2021</u>	<u>2020</u>
			%	%
Individuals				<i>(Unaudited)</i>
US Dollars			18	18

7. INTANGIBLE ASSESTS

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
	<i>(Unaudited)</i>			
Cost				
As at 1 January	3,550	14,463	3,550	14,360
Addition	-	-	-	-
As at 31 December	<u>3,550</u>	<u>14,463</u>	<u>3,550</u>	<u>14,360</u>
Less: Accumulated amortisation				
As at 1 January	1,069	4,356	358	1,448
Amortisation charges	709	2,888	711	2,876
As at 31 December	<u>1,778</u>	<u>7,244</u>	<u>1,069</u>	<u>4,324</u>
Net book value	<u>1,772</u>	<u>7,219</u>	<u>2,481</u>	<u>10,036</u>

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

8. PROPERTY AND EQUIPMENT

Cost	Leasehold improve- ment USD	Office and IT equipment USD	Furniture and fixtures USD	Vehicles USD	Total USD	Total KHR'000
At 1 January 2021	2,497	9,598	14,677	9,203	35,975	146,562
Addition during the year	-	840	-	-	840	3,422
Written off/ disposal	-	(570)	-	(1,945)	(2,515)	(10,246)
At 31 December 2021	2,497	9,868	14,677	7,258	34,300	139,738
Accumulated depreciation						
At 1 January 2021	1,154	8,525	12,577	8,682	30,938	126,041
Charge during the year	832	991	842	348	3,013	12,275
Written off/ disposal	-	(498)	-	(1,945)	(2,443)	(9,953)
At 31 December 2021	1,986	9,018	13,419	7,085	31,508	128,363
Net book value						
At 31 December 2021	<u>511</u>	<u>850</u>	<u>1,258</u>	<u>173</u>	<u>2,792</u>	<u>11,375</u>
Cost						
At 1 January 2020	2,497	10,206	13,540	9,203	35,445	143,375
Addition during the year	-	-	530	-	530	2,144
Adjustment	-	(608)	608	-	-	-
At 31 December 2020 (Unaudited)	2,497	9,598	14,677	9,203	35,975	145,519
Accumulated depreciation						
At 1 January 2020	320	7,753	11,242	7,814	27,129	109,737
Charge during the year	834	1,379	728	868	3,809	15,407
Adjustment	-	(607)	607	-	-	-
At 31 December 2020	1,154	8,525	12,577	8,682	30,938	125,144
Net book value						
At 31 December 2020 (Unaudited)	<u>1,343</u>	<u>1,073</u>	<u>2,100</u>	<u>521</u>	<u>5,037</u>	<u>20,375</u>

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

9. OTHER ASSETS

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Accrued interests receivable	25,598	104,286	20,239	81,867
Interest in suspense	(348)	(1,418)	-	-
Prepaid expenses	1,184	4,824	4,556	18,429
Office rental deposit	2,700	11,000	3,210	12,984
Cash advance	-	-	725	2,933
Other receivable (*)	24,098	98,176	24,958	100,955
	<u>53,232</u>	<u>216,868</u>	<u>53,688</u>	<u>217,168</u>

(*) It represents the amount due from Ms. Svay Sok which is secured by a plot of land.

10. BORROWINGS

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Balance at beginning of year	1,247,753	5,047,161	1,195,000	4,869,625
Addition	585,000	2,383,290	839,553	3,395,992
Repayment	(450,221)	(1,834,200)	(786,800)	(3,182,606)
Currency translation difference	-	36,184	-	(35,850)
	<u>1,382,532</u>	<u>5,632,435</u>	<u>1,247,753</u>	<u>5,047,161</u>

11. OTHER LIABILITIES

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Accrued interest payables	7,176	29,235	6,815	27,567
Accrued expenses	8,755	35,668	10,916	44,155
Accrued withholding expenses	2,385	9,715	2,048	8,284
Unearned revenues	4,250	17,314	4,250	17,191
Others	-	-	20	81
	<u>22,566</u>	<u>91,932</u>	<u>24,049</u>	<u>97,278</u>

12. SHARE CAPITAL

The registered and paid-up statutory capital of the Company as at 31 December 2021 is composed of 100.000 shares at par value of USD 4.21 per share. All shares are fully paid.

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Ordinary shares of USD 4.21 each :				
Balance at beginning of year	421,200	1,703,754	421,200	1,716,390
Movement during the year	-	-	-	-
Currency translation difference	-	12,215	-	(12,636)
	<u>421,200</u>	<u>1,715,969</u>	<u>421,200</u>	<u>1,703,754</u>

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

12. SHARE CAPITAL (Continued)

The details of shareholding are as follows:

	31 Dec 2021		31 Dec 2020	
	USD	%	USD	%
Mr. Dy Sitha	114,720	27%	114,720	27%
Mr. Lak Chin Savath	100,000	24%	100,000	24%
Ms. Chen Sopheap	81,480	19%	81,480	19%
Mr. Thuch Panhchak Kampoul	75,000	18%	75,000	18%
Mr. Prak Oudamsambath	50,000	12%	50,000	12%
	<u>421,200</u>	<u>100%</u>	<u>421,200</u>	<u>100%</u>

13. INTEREST INCOME

This represents interest received from loans to customers.

14. INTEREST EXPENSE

This represents interest expense paid to private lenders and shareholders amounting to USD 146,646 and USD 8,276 respectively.

15. OTHER OPERATING INCOME

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Loan and monitoring fee	116,338	473,263	114,794	468,360
Penalty	5,022	20,429	5,218	21,289
Loan recovery	6,150	25,018	2,978	12,150
Gain on assets disposal	1,091	4,438	-	-
Others	885	3,601	2,199	8,972
	<u>129,486</u>	<u>526,749</u>	<u>125,189</u>	<u>510,771</u>

16. PERSONNEL COSTS

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Staff salaries	96,645	393,152	94,946	387,380
Staff bonus and pension	11,429	46,493	11,935	48,695
Staff uniform	630	2,563	876	3,574
Staff insurance	5,401	21,971	5,451	22,240
Others	1,285	5,228	1,668	6,805
	<u>115,390</u>	<u>469,407</u>	<u>114,876</u>	<u>468,694</u>

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

17. OTHER OPERATING EXPENSES

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Rental expenses	17,795	72,390	17,087	69,715
Motor vehicles operating cost	12,976	52,786	11,706	47,760
Village bank/association fee	5,118	20,820	6,051	24,688
Professional fee	5,000	20,340	6,000	24,480
Stationery and supplies expenses	3,764	15,313	3,225	13,158
Repair and maintenance	2,343	9,531	1,653	6,744
Communication	1,801	7,326	1,945	7,936
Utilities expenses	1,612	6,558	1,501	6,124
Staff refreshment	1,292	5,256	1,195	4,876
License fee	491	1,997	618	2,521
Patent	295	1,200	300	1,224
Travel and transportation expenses	79	321	15	61
Miscellaneous expenses	25,810	104,996	28,853	117,721
	<u>78,376</u>	<u>318,834</u>	<u>80,149</u>	<u>327,008</u>

18. INCOME TAX EXPENSE

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Current tax	16,690	67,895	20,687	84,403
	<u>16,690</u>	<u>67,895</u>	<u>20,687</u>	<u>84,403</u>

(a) Reconciliation of current income tax

In accordance with the Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profit or the minimum tax at 1% of gross revenue, whichever is higher.

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Profit before income tax	71,546	291,049	77,409	315,829
Income tax @ 20%	14,309	58,210	15,482	63,166
<i>Tax effects of reconciling items:</i>				
Effects of non-taxable income	(3,028)	(12,320)	2,613	10,661
Expenses not deductible for tax purposes	5,409	22,005	2,592	10,576
Income tax expense	<u>16,690</u>	<u>67,895</u>	<u>20,687</u>	<u>84,403</u>

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

18. INCOME TAX EXPENSE (continued)

(b) Provision for income tax

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Balance at beginning of year	20,687	83,680	11,663	47,528
Charge during the year	16,690	67,895	20,687	84,403
Under/ (Over) provision for last year	(6,075)	(24,713)	3,389	13,828
Taxation paid during the year	(15,760)	(64,111)	(15,052)	(61,413)
Currency translation difference	-	570	-	(666)
Balance at end of year	<u>15,542</u>	<u>63,320</u>	<u>20,687</u>	<u>83,680</u>

(c) Deferred tax

There were no changes of deferred tax during the year under audit.

19. RELATED PARTY BALANCES AND TRANSACTIONS

Significant related party balances and transactions for the year are as follows:

Related party balance	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Borrowing from shareholder	71,000	289,254	206,000	833,270
Accrued interest payables	4,204	17,126	10,471	42,357
	<u>75,204</u>	<u>306,380</u>	<u>216,471</u>	<u>875,627</u>

Related party transactions	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Interest expenses on borrowing	8,276	33,665	18,506	75,503
Remuneration for management	24,690	100,439	22,872	93,317

20. LEASE COMMITMENTS

The Company has lease commitments for the lease of its offices as follows:

	31 Dec 2021		31 Dec 2020	
	USD	KHR'000	USD	KHR'000
			<i>(Unaudited)</i>	
Not later than one year	5,056	20,596	15,911	64,360
More than one year and not later than five years	-	-	5,056	20,450
	<u>5,056</u>	<u>20,596</u>	<u>20,966</u>	<u>84,810</u>

DAIKOU FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

21. TAX INTERPRETATION

The Cambodian General Department of Taxation has various separate offices that are authorized to conduct tax audits of entities undertaking activities and doing business in Cambodia. The application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by these tax offices. The Company's judgement of its business activities may not coincide with the interpretation of the same activities by those tax offices.

If a particular treatment was to be challenged by those various tax authorities, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years with a possible extension of up to ten years.

22. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the Covid-19 pandemic has severely impacted businesses in Cambodia and elsewhere. The Directors have assessed the impact on the financial statements of the Company and concluded that there is a minimal impact to the Company's financial statements given the size of the related portfolios at the year-end; however, management is unable to fully assess the exposure as of the reporting date. There is still significant uncertainty over how the outbreak will impact the financial position and results of the Company for future periods. Directors consider that the main impact arising from Covid-19 outbreak is long term and that the Company's activities may be slow in this period which impacts the current profitability level and liquidity headroom, but would not lead to a going concern issue given the size of the operations.

The Company has evaluated events after the end of the reporting period until the date the financial statements were available for issue. The Directors affirm that no other material events should be reported to be adjusting or non-adjusting events.